

BALK AT A FARMER ON RESERVE BOARD

President and Advisory
Council Are Against
Senate Bill.

BLOC STANDS BY GUNS

Are Determined to Pass
Smith Measure With
Amendment.

MEMORIAL DEFENDS BANK

Harding Told That Agitators
Misrepresent Attitude To-
ward Agriculture.

Special Dispatch to THE NEW YORK HERALD.

New York, Jan. 13.

Washington, D. C., Jan. 13.

President Harding and the Federal

Reserve Board advisory council are

unanimously and emphatically op-

posed to Congressional action that

would dictate the naming of a "dirt

farmer" to the next vacancy on the

Federal Reserve Board. Notwithstand-

ing this, members of the agricultural

bloc in the Senate are determined to

pass the Smith amendment carrying

such a provision.

The attitude of the bloc leaders was

not changed after they had conferred

with the President at the White

House to-day. The President was em-

phatic in his disapproval of dictation

on the subject, but said he was in

sympathy with the Kellogg amend-

ment providing for the naming of an

additional member. In that event he

said he would give due consideration

to the claims of the agricultural in-

terests for representation.

Council Presents Memorial.

The Reserve Board advisory council

called attention to the dangers of

class representation on the board and

of permitting pernicious political

pressure to be brought upon the re-

serve system. The council presented

a long memorial outlining its view.

The memorial follows:

"It is with great reluctance that the

Federal Advisory Council asks for the

privilege of an audience at a time when

so many pressing problems of national

and international importance are oc-

cupying your mind.

"A grave situation has developed,

however, which endangers the safety of

the Federal Reserve system and, in our

opinion, seriously menaces the future of

the entire country. The council views

these circumstances with profound dis-

quiet and feels that it would be neglect-

ful of its duty if it did not seek an op-

portunity of bringing them to your at-

tention.

"There is before the Senate at this

time a bill (S. 2263) to amend the Fed-

eral Reserve act. The bill as reported

by the Committee on Banking and Cur-

rency was not merely an unobjection-

able but a desirable amendment, pro-

viding that in selecting the members of

the Federal Reserve Board the Presi-

dent should "have due regard to a fair

representation of the different com-

mercial, industrial, agricultural and ge-

ographical divisions" of the country

(the word "agricultural" being added to

the present provisions of the law to

conform to the basic requirement of the

act that paper eligible for rediscunt

must have arisen out of agricultural,

industrial or commercial transactions).

An amendment or substitute bill, how-

ever, was proposed on the floor of the

Senate which provides in part that

"no first vacancy existing . . . from

the death, resignation, removal, or ex-

piration of the term of office of such a

member shall be filled by the appoint-

ment . . . of a person whose busi-

ness and occupation is farming."

Urges Withdrawal or Defeat.

"This proposal the council believes

to be objectionable class legislation, and,

in the interest of the country as a

whole, when it comes up for considera-

tion on January 17, as at present ar-

ranged by the Senate's unanimous con-

sent, it should either be withdrawn or

defeated.

"If the law should be amended so as

to oblige you to put a farmer on the

board, one might ask in that case why

should not labor insist that it is a class

should also be represented, and why

should not similar claims be made by

merchants, manufacturers, exporters or

any other special interest or group?

Indeed, two other bills of this nature

have already been introduced. That it

might or might not be desirable to

put a farmer on the board is not the

question—the wrong is in requiring, as

a matter of law, that one special in-

terest shall always be represented on

the board.

"Furthermore, such a bill, if enacted,

would seem to endorse the unwarranted

assertion that the present plight of the

farmer is due to the alleged malad-

ministration of the Federal Reserve

system. This dangerous slander has

been spread so persistently and

scrupulously that a large percentage

of our agricultural population have

accepted it as true, and the council fears

that even by a substantial number

of members of Congress the real

facts of the case are not sufficiently

well understood. The council begs of

you, therefore, to use your great in-

fluence with leading Senators to oppose

this proposed bill and the principles which

it embodies. The future success of the

operation of the Federal Reserve system

and the welfare of the country demand

that the Federal Reserve Board shall be

a judicial and non-partisan body acting

in the interest of the country as a

whole, not a body influenced by political

pressure and expediency in furtherance

of the claims of special interests."

"There is no doubt that the farmer

has been and is still passing through

a period of great hardship, not in their

much doubt that he believes the Federal

Reserve system responsible for his present

plight.

"What are the facts? The joint

commission of agricultural inquiry in

Part I of its report summarizes the

causes of the present depression as fol-

lows:

"The crisis was not confined to this

country. The avalanche of declining

prices and its attending hardships,

sacrifices and losses involved the

whole world. It began in distant

Japan with the break in the silk

market and the Chinese boycott of

Japanese goods. It traveled the

circle of the Far East, Australia,

India, Java, England, France, Italy,

the whole of Europe, South America,

Canada and the United States. It

embraced all countries and all in-

dustries, though not to the same ex-

tent or in the same way.

"As the falling purchasing power of

the world began to make itself felt

in the lessening of export demand for

farm products the prices of agri-

cultural products began to decline.

As prices of agricultural products

declined the purchasing power of the

agricultural population, representing

nearly 40 per cent. of the total pur-

chasing power of the country, began

to diminish. As the purchasing

power of the American farmer di-

minished, the production of indus-

trial products began to decline, and

unemployment, resulting in diminish-

ing consumption, gave further im-

pulse to the avalanche of prices.

"The council is in fullest accord with this

striking analysis of the situation by the

Joint Commission of Agricultural In-

quiry, and without quoting further from

this very excellent report wishes to em-

phasize the fact that the suffering of

the farmer has been peculiarly acute

because, while factories and mines can

be shut down and the output reduced,

voluntary curtailment of production, al-

ready begun, is well nigh impossible for

the millions of the individual farmer

scattered all over the world. Future

nature intervention or the funds give out

a new crop will be made irrespective of

whether or not the previous one has been

marketed.

Recalls Earlier Criticism.

"It is significant that when prices

rose, apparently without end, it was the

consumer who suffered and threatened

to investigate the Federal Reserve Sys-

tem. In fact, the Senate on May 17,

1920, passed a resolution asking the

Federal Reserve Board what steps it

was taking or proposing to meet the then

existing 'inflation and consequent high

prices.' When prices finally fell toward

their prewar levels it was the producer

who groaned and blamed the system.

Similar frosts of mass psychology could

be observed in other countries where

people attributed the inevitable results

of an economic law to alleged misman-

agement of banking credits. But it is not

discount rates that were determining the

ultimate courses and levels of commodi-

ties prices in this or any country. World

phenomena, far more powerful than

central banks in general or the Federal

Reserve Board in particular, were at

play.

"To tamper with the natural laws of

demand and supply has proven a costly

and sometimes fatal experiment for

many a Government which attempted

to 'normalize' its staples. If Congress

wished the country to indulge in such a

scheme it should have taken the respon-

sibility of enacting legislation to that

effect. By no stretch of imagination,

however, could the Federal Reserve

banks be assumed to have been created

to exercise functions of this character.

"The world is not suffering to-day be-

cause of high money rates, but because

of the crippling of its power of con-

sumption. It is because hundreds of

millions of people, individually and col-

lectively, have lost their power of pur-

chasing power that the commodities

cannot find their markets. Better mar-

kets for our products will be found, and

the lower standards of living abroad will

when the world over wasteful Govern-

ment expenditures for armaments are

cut down, budget balances and practi-

cal methods found to establish actual

economic peace and order in Europe. In

that direction you, Mr. President, have

inaugurated a most auspicious move-

ment for which the world will ever owe

you a debt of gratitude. It is by aiding

your noble efforts toward that end that

Congress will bring genuine relief to

America's agriculture rather than by

putting a farmer on the Federal Reserve

Board. In fact, the council finds it dif-

icult to summarize the whole situation in

any more striking manner than to quote

from your own admirable statement,

which has been acclaimed throughout

the country, in which you said:

"The slump which is now upon us

is an inevitable part of war's after-

math. It has followed in the wake

of war since the world began. There

was the unavoidable readjustment,

the inevitable charge-off, the unflin-

ing attendance of losses in the wake

of high prices, the inexorable defla-

tion which inflation had preceded. It

has been wholly proper to seek to

apply Government relief to minimize

the hardships and the Government

has aided whomever possible, and is

aiding now, but all the special in-

terests ever dreamed of, all the particu-

lars ever conceived will not avoid

all the distresses nor ward off all

the losses.

"But, while the great majority of

the ill from which agriculture suffers